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GERLING AMERICA INSURANCE COMPANY
6

7 **UNITED STATES DISTRICT COURT**
8 **NORTHERN DISTRICT OF CALIFORNIA**
9

10 FIREMAN'S FUND INSURANCE
COMPANY, a foreign corporation a/s/o
11 BASIC RESOURCES, INC. and GEORGE
REED, INC., a foreign corporation,

12 Plaintiff,

13 vs.
14

15 GERLING AMERICA INSURANCE
COMPANY, a foreign corporation,

16 Defendant.
17

CASE NO.: 3:07-cv-06302-CRB

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19 **DEFENDANT GERLING AMERICA**
INSURANCE COMPANY'S SECOND
AMENDED ANSWER TO PLAINTIFF'S
FOURTH AMENDED COMPLAINT

20 Defendant Gerling America Insurance Company ("Gerling") responds to Plaintiff's Fourth
Amended Complaint at follows:

21 1. Answering paragraph 1 of the Fourth Amended Complaint, Gerling is informed and
22 believes, and on such basis admits that Plaintiff Fireman's Fund Insurance Company ("FFIC") is a
23 California insurance corporation, that FFIC is registered throughout the States, and that FFIC is
24 authorized to conduct business in the State of California.

25 2. Answering paragraph 2 of the Fourth Amended Complaint, Gerling is informed and
26 believes, and on such basis admits that FFIC insured Basic Resources and George Reed, California
27 corporations. Except as admitted, Gerling lacks sufficient information or belief to admit or deny
28 such allegations and, on that basis, denies all of them.

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DEFENDANT SECOND AMENDED ANSWER TO PLAINTIFF'S FOURTH AMENDED COMPLAINT
CASE NO.: 3:07-CV-06302-CRB

1 3. Answering paragraph 3 of the Fourth Amended Complaint, Gerling is informed and
2 believes, and on such basis admits that FFIC made payment to Basic Resources and George Reed
3 with respect to a claim for property damage due to an explosion of a 12,000 pound Stationary
4 Asphalt Batch Plant ("Plant"). All other allegations in paragraph 3 are legal not factual and
5 therefore no response is required, or are denied.

6 4. Answering paragraph 4 of the Fourth Amended Complaint, Gerling admits that it is
7 an insurance company existing under the laws of the State of New York, that it is registered with the
8 California Department of Insurance, and that it insures Gencor Industries, Inc. ("Gencor") under a
9 Commercial Lines Policy, policy number 4003-527-GLP ("Gerling Policy").

10 5. Answering paragraph 5 of the Fourth Amended Complaint, Gerling admits that this
11 Court has original diversity jurisdiction of this matter pursuant to 28 U.S.C. § 1332.

12 6. Answering paragraph 6 of the Fourth Amended Complaint, Gerling admits that
13 venue is proper in this Court.

14 7. Answering paragraph 7 of the Fourth Amended Complaint, Gerling is informed and
15 believes, and on such basis admits that in February 2000, Gencor entered into a written contract
16 with Basic Resources and George Reed for the purchase of the Plant.

17 8. Answering paragraph 8 of the Fourth Amended Complaint, Gerling is informed and
18 believes, and on such basis admits that Gencor sold the Plant to Basic Resources and George Reed
19 for \$1,989,679.00 and provided technical services including "start-up" for operation of the Plant.

20 9. Answering paragraph 9 of the Fourth Amended Complaint, Gerling is informed and
21 believes, and on such basis admits that the Plant exploded.

22 10. Answering paragraph 10 of the Fourth Amended Complaint, Gerling lacks sufficient
23 information or belief to admit or deny such allegations and, on that basis, denies all of them.

24 11. Answering paragraph 11 of the Fourth Amended Complaint, Gerling admits that
25 FFIC sued Gencor in a Florida state court.

26 12. Answering paragraph 12 of the Fourth Amended Complaint, Gerling alleges that it
27 defended Gencor in the state court action pursuant to an express reservation of rights, and that,
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1 following trial, a jury returned its verdict in favor of FFIC determining that Gencor breached its
2 contract with Basic Resources and George Reed and that Gencor was 60% negligent and Basic
3 Resources and George Reed were 40% negligent for the explosion.

4 13. Answering paragraph 13 of the Fourth Amended Complaint, Gerling alleges that a
5 *non in personam* Amended Final Judgment was entered in favor of FFIC in the amount of
6 \$1,751,913.10, and that this was judgment cannot be personally executed against Gencor.

7 14. Answering paragraph 14 of the Fourth Amended Complaint, Gerling alleges a *non in*
8 *personam* Final Judgment awarding costs in the amount of \$42,000 was entered in the state court
9 action, and that this judgment cannot be personally executed against Gencor.

10 15. Answering paragraph 15 of the Fourth Amended Complaint, Gerling admits that it
11 has denied FFIC's claims for coverage under the Gerling Policy. Except as admitted, Gerling
12 denies such allegations.

13 16. Answering paragraph 16 of the Fourth Amended Complaint, Gerling denies all such
14 allegations.

15 17. Answering paragraph 17 of the Fourth Amended Complaint, Gerling admits that the
16 law of the State of Florida applies to the interpretation of the terms of the Gerling Policy in this
17 action.

18 18. Answering paragraph 18 of the Fourth Amended Complaint, Gerling denies all such
19 allegations.

20 **COUNT I – DECLARATORY RELIEF**

21 19. Answering paragraph 19 of the Fourth Amended Complaint, Gerling incorporates by
22 reference paragraphs 1-18 of this Answer.

23 20. Answering paragraph 20 of the Fourth Amended Complaint, Gerling denies all such
24 allegations. Gerling specifically denies that it has any duty to satisfy the Amended Final Judgment.

25 21. Answering paragraph 21 of the Fourth Amended Complaint, Gerling denies all such
26 allegations.

22. Answering paragraph 22 of the Fourth Amended Complaint, Gerling denies all such allegations.

23. Answering paragraph 23 of the Fourth Amended Complaint, Gerling denies all such allegations.

COUNT II – BREACH OF CONTRACT

24. Answering paragraph 24 of the Fourth Amended Complaint, Gerling incorporates by reference paragraphs 1-23 of this Answer.

25. Answering paragraph 25 of the Fourth Amended Complaint, Gerling denies all such allegations. Gerling specifically denies that it has any duty to satisfy the Amended Final Judgment.

26. Answering paragraph 26 of the Fourth Amended Complaint, Gerling denies all such allegations.

27. Answering paragraph 27 of the Fourth Amended Complaint, Gerling denies all such allegations.

28. Answering paragraph 28 of the Fourth Amended Complaint, Gerling denies all such allegations.

AFFIRMATIVE DEFENSES

FIRST AFFIRMATIVE DEFENSE

(Failure to State Claim)

1. The Fourth Amended Complaint and all claims for relief therein fail to state facts sufficient to state a claim against Gerling.

SECOND AFFIRMATIVE DEFENSE

(Lack of Standing)

2. FFIC lacks standing to assert a claim for coverage under the Gerling Policy.

THIRD AFFIRMATIVE DEFENSE

(No Coverage)

3. The Gerling Policy does not provide coverage for the loss and damages claimed by FFIC.

FOURTH AFFIRMATIVE DEFENSE

(No Coverage for Underlying State Court Action)

4. The Gerling Policy does not provide coverage for the alleged losses claimed in the underlying state court action by reason of the policy's terms, conditions, defenses and exclusions.

FIFTH AFFIRMATIVE DEFENSE

(Condition Precedent to Coverage)

5. FFIC fails to meet one or more of the conditions precedent to coverage under the Gerling Policy with respect to the claims alleged in the Fourth Amended Complaint.

SIXTH AFFIRMATIVE DEFENSE

(Non In Personam Judgment)

6. The Amended Final Judgment that underlies FFIC's claim for coverage under the Gerling Policy is not "*in personam*" against Gencor and therefore does not provide any right to coverage under the Gerling Policy as Gencor is not "legally obligated to pay" the judgment.

SEVENTH AFFIRMATIVE DEFENSE

(Final Amended Judgment)

7. The Amended Final Judgment does not give rights to coverage under the Gerling Policy as a judgment for damages has not been entered against Gencor.

EIGHTH AFFIRMATIVE DEFENSE

(Contractual Liability Exclusion)

8. FFIC's claims are barred, in whole or in part, pursuant to the contractual liability exclusion of the Gerling Policy in that the underlying verdict obtained by FFIC as against Gencor is predicated upon a contractual liability allegedly deriving out of Gencor's contract with Basic Resources and George Reed.

NINTH AFFIRMATIVE DEFENSE

(Damage to Your Product Exclusion)

9. FFIC's claims are barred, in whole or in part, pursuant to the "Damage to Your Product" exclusion of the Gerling Policy.

TENTH AFFIRMATIVE DEFENSE

(Engineers, Architects or Surveyors Professional Liability Exclusion)

10. FFIC's claims are barred, in whole or in part, pursuant to the "Engineers, Architects or Surveyors Professional Liability" exclusion of the Gerling Policy as Gencor was allegedly obligated under the written contract with Basic Resources and George Reed to provide adequate field engineering service and the damages claimed allegedly arose out of those services rendered by Gencor employees, thereby excluding coverage.

ELEVENTH AFFIRMATIVE DEFENSE

(Damage to Your Work Exclusion)

11. FFIC's claims are barred, in whole or in part, pursuant to the "Damage to Your Work" exclusion of the Gerling Policy as the installation of the Plant was allegedly completed and damages were from the product itself or from the work performed on the product.

TWELFTH AFFIRMATIVE DEFENSE

(Breach of Contract)

13. FFIC's claims are barred because the Gerling Policy does not provide coverage for a breach of contract by the insured.

THIRTEENTH AFFIRMATIVE DEFENSE

(Other Insurance Provision)

14. FFIC's claims are barred, in whole or in part, pursuant to the "Other Insurance" provision of the Gerling Policy.

FOURTEENTH AFFIRMATIVE DEFENSE

(Right to Raise Additional Defenses)

15. Gerling reserves its right to raise additional affirmative defenses and to supplement those asserted herein upon discovery of further information and upon further investigation.

WHEREFORE, Gerling prays for judgment as follows:

1. That FFIC take nothing by reason of the Fourth Amended Complaint;
2. That the Court enter judgment in favor of Gerling, in all respects; and

1 3. That the Court grant Gerling such other and further relief as the Court may deem just
2 and proper.

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5 Dated: June 27, 2008

BARGER & WOLEN LLP

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7 By: /s/ Tino X.Do
8 THOMAS R. BEER
9 TINO X. DO
Attorneys for Defendant GERLING
AMERICA INSURANCE COMPANY
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